UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

| APPLICATION NO. | FILING DATE | FIRST NAMED INVENTOR | ATTORNEY DOCKET NO. | CONFIRMATION NO. |
|---|---|---|---|---|
| 09/550,752 | 04/17/2000 | Tomas Leon | TTHC:003US/10013416 | 1159 |

32425 7590 09/22/2011

FULBRIGHT & JAWORSKI L.L.P.
98 SAN JACINTO BOULEVARD
SUITE 1100
AUSTIN, TX 78701-4255

| EXAMINER | |
|---|---|
| HAMILTON, LALITA M | |

| ART UNIT | PAPER NUMBER |
|---|---|
| 3691 | |

| NOTIFICATION DATE | DELIVERY MODE |
|---|---|
| 09/22/2011 | ELECTRONIC |

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

aopatent@fulbright.com

UNITED STATES PATENT AND TRADEMARK OFFICE

---

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

---

*Ex parte* THOMAS LEON and LEWIS J. SPELLMAN

---

Appeal 2010-012491
Application 09/550,752
Technology Center 3600

---

Before, MURRIEL E. CRAWFORD, ANTON W. FETTING and JOSEPH A. FISCHETTI, *Administrative Patent Judges*.

FISCHETTI, *Administrative Patent Judge*.

DECISION ON APPEAL

## STATEMENT OF THE CASE

Appellants seek our review under 35 U.S.C. § 134 of the Examiner's final rejection of claims 34-41 and 46-61. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

## SUMMARY OF DECISION

We AFFIRM-In-Part.

## THE INVENTION

Appellants claim a system and method for financial management. (Specification 2: 5-8).

Claim 34, reproduced below, is representative of the subject matter on appeal.

> 34. An electronic inflation-adjusted financial instrument stored in a data storage device comprising:
> a principal component stored in a data storage device, the principal component being periodically adjusted for inflation based on the Consumer Price Index (CPI) to obtain an inflation-adjusted principal component;
> an accrual component stored in a data storage device, the accrual component including an interest rate fixed for a term of the financial instrument;
> wherein periodic interest payments are paid based on the inflation-adjusted principal component at the time said periodic interest payments are paid; and
> wherein the inflation-adjusted principal component is payable at the end of the term.

The following rejections are before us for review.

The Examiner rejected claims 46-53 under 35 U.S.C. § 112, second paragraph, as failing to particularly point out and distinctly claim the subject matter of the invention.

The Examiner rejected claims 34-41 and 46-61 under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

## ISSUES

Did the Examiner err in rejecting claims 46-53 on appeal as being unpatentable under 35 U.S.C. 112, second paragraph?

Did the Examiner err in rejecting claims 34-41, and 46-61 on appeal as being based on patent ineligible subject matter?

## ANALYSIS

*The Rejection Under 35 U.S.C. 112, Second Paragraph*

The Examiner rejected independent claims 46 and 50 because "[i]t is unclear if the claim is directed to a method or an apparatus. The Appellant cannot claim the data processor with limitations directed solely to a method or process steps." (Answer 4).

However, each of claims 46 and 50 is drawn to a machine, namely, a dataprocessor.[1] There is no ambiguity here as to what is being claimed because the claim starts by announcing that the claimed subject is "A dataprocessor". The remaining portion of the claim addresses scope, which is subject to examination for patentability, but not patent eligibility.

Therefore, we will not sustain the rejection of claims 46-53 under 35 U.S.C. § 112, Second Paragraph.

[1] Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." *35 U.S.C. § 101.*

*Rejection under 35 U.S.C. § 101*

Independent Claims 46 and 50

Independent claims 46 and 50 recite, in pertinent part, "A *data processor* suitably configured…." As we state above, on the face of these claims, it is clear that Appellants recite a machine, which is patent eligible under 35 U.S.C. § 35 U.S.C. § 101. Therefore, we will not sustain the rejection of independent claims 46 and 50 under 35 U.S.C. § 101.

We also affirm the rejection of the claims dependent on independent claims 46 and 50 since Appellant has not challenged the patent eligibility of these dependents claims.

Independent Claims 34 and 38

Appellants argue that independent claims 34 and 38 are patent eligible because "…finding physical computer readable media qualifies as a manufacture", *citing to Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980)." (Appeal Br. 7-8).

Each of claims 34 and 38 recites in pertinent part, "An electronic inflation-adjusted financial instrument stored in a data storage device comprising: … (emphasis added)." The subject of the claim is an instrument, and not a data storage device.

In contrast to the subject matter of claims 34 and 38, the appealed claims in *Chakrabarty* were drawn to bacteria[2]. Thus, the issue in *Chakrabarty* was whether

[2] Chakrabarty's patent claims were of three types: first, process claims for the method of producing the bacteria; second, claims for an inoculum comprised of a carrier material floating on water, such as straw, and the new bacteria; and third, claims to the bacteria themselves. The patent examiner allowed the claims falling into the first two categories, but rejected claims for the bacteria. His decision rested on two grounds: (1) that micro-organisms are "products of nature," and (2) that as living things they are not patentable subject matter under 35 U.S.C. § 101. *Id.* at 305-306

35 U.S.C. § 101 included living things, and not to what extent does a reference to a machine in an abstract idea make a claim patent eligible. *Id. at 313.*

Appellants next argue that "[c]laims 34-41 are directed to statutory subject matter because they are directed to a data storage device…." (Appeal Br. 7).

In our view, Appellants mischaracterize the subject matter of claims 34 and 38. The subject of the claims 34 and 38 is an instrument, and *not the data storage device* on which a basic component of the instrument idea is stored. The "instrument" remains an abstraction because it is a financial concept not made any more non-abstract because claimed CPI and fixed interest rate values are stored in a data storage device. Each of which values could otherwise have been remembered in the mind of a user.

We also affirm the rejection of the claims dependent on independent claims 34 and 38 since Appellant has not challenged the patent eligibility of these dependents claims

Independent Claims 54 and 58

Appellant argues that "[c]laims 54-61 are directed to statutory subject matter because they are tied to a particular machine, and therefore satisfy *Bilski*'s machine-or-transformation test." (Appeal Br. 11).

The so called, *Bilski* test, determines whether a claimed process recites patentable subject matter under § 101 namely, that the involved subject matter: (1) is tied to a particular machine or apparatus, or (2) transforms a particular article into a different state or thing. *In re Bilski*, 545 F.3d 943, 961-62 (Fed. Cir. 2008) (en banc).

However, since the filing of the Appeal Brief, the Supreme Court has held that the "machine-or-transformation may well provide a sufficient basis for evaluating processes similar to those in the Industrial Age for example, inventions

grounded in a physical or other tangible form… [but,] it may not make sense to require courts to confine themselves to asking the questions posed by the machine-or-transformation test". *Bilski v. Kappos*, 130 S.Ct. 3218, 3227, 3231 (June 2010). Maintaining only that the test is an "important clue" or "an investigative tool", the Court instead reasoned that claims that explained the basic concept of an activity (hedging) would allow the Appellant to pre-empt the use of this approach in all fields, and would effectively grant a monopoly over an abstract idea. *Bilski v. Kappos*, 130 S.Ct. 3218, 3231 (June 2010). Thus, abstract ideas are not patent eligible. *Id*. at 3225.

We turn to the issue at hand, with this understanding of the present status of the law before us today.

Appellants argue that:

> [t]he claimed dataprocessor is a meaningful limitation on the scope of the claim because other structures for performing the claimed steps could have been claimed instead, *see Gottschalk v. Benson*, 409 U.S. 63, 71-72 (1972) (holding that the claimed digital computer did not limit the claimed "mathematical formula" because the formula had "no substantial practical application except in connection with a digital computer") (emphasis added)….

(Appeal Br. 12).

However, Appellants' citation to *Benson* is misplaced because it wrongly implies that if there is a substantial practical application in connection with a digital computer there is patent eligibility. But, read in its entirety, the quote clarifies the meaning of the statement by saying that the phrase, "except in connection with a digital computer", *means that if the judgment below is affirmed, the patent would wholly pre-empt the mathematical formula and in practical effect*

*would be a patent on the algorithm itself*. (emphasis added)" *Benson at* 72. This cuts contrarily to Appellants' position.

In fact, in *Benson,* the US Supreme Court held that the appealed claims were patent ineligible even though claim 8[3] recited *a reentrant shift register* as the device in which the process was carried out. Thus, we find that like claim 8 in Benson, the recitation of computing "performed by a dataprocessor" does not divorce the claim from its fundamental root which is a concept to adjust a financial instrument for inflation. The component steps of periodically adjusting a principal component and computing an accrual component are steps which are achievable via performance of mental steps.

We further find that the step of paying periodic interest payments is an extra solution activity not covered under 35 U.S.C. § 101 because it does not add substantively to the underlying process which is the calculation of inflation on a financial instrument. *See, In re Schrader*, 22 F. 3d 290, 294 (Fed. Cir. 1994)

---

[3] Claim 8 in Benson reads:

'The method of converting signals from binary coded decimal form into binary which comprises the steps of

'(1) storing the binary coded decimal signals in a reentrant shift register,

'(2) shifting the signals to the right by at least three places, until there is a binary '1' in the second position of said register,

'(3) masking out said binary '1' in said second position of said register,

'(4) adding a binary '1' to the first position of said register,

'(5) shifting the signals to the left by two positions,

'(6) adding a '1' to said first position, and

'(7) shifting the signals to the right by at least three positions in preparation for a succeeding binary '1' in the second position of said register.'

(recording step of the claimed process is incapable of imparting patent-eligibility under 35 U.S.C. § 101).

Accordingly, we find independent claims 54 and 58 would wholly pre-empt the mathematical formula used for inflation adjusting and hence constitute abstract ideas.

We also affirm the rejection of the claims dependent on independent claims 54 and 58 since Appellant has not challenged the patent eligibility of these dependents claims

CONCLUSIONS OF LAW

We conclude the Examiner did err in rejecting claims 46-49, and 50-53 under 35 U.S.C. § 101, and erred in rejecting claims 46-53 under 35 U.S.C. 112, second paragraph.

We conclude the Examiner did not err in rejecting claims 34-37, 38-41, 54-57 and 58-61 under 35 U.S.C. § 101.

DECISION

The decision of the Examiner to reject claims 46-53 is REVERSED

The decision of the Examiner to reject claims 34-37, 38-41, 54-57 and 58-61 is AFFIRMED.

AFFIRM-IN-PART

MP